

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 FMC-01 SAJ-01

NIC-01 /092 W

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R 270935Z JAN 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3615

INFO USLO PEKING

AMEMBASSY LONDON

AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 972

E.O. 11652: GDS

TAGS: ECON, EFIN, EEW, EWT, EALR, CH

SUBJECT: PRC SHIPPING CONTRACTS TO BE SETTLED IN
HONG KONG DOLLARS

1. A HONG KONG-BASED EUROPEAN SHIPPING SOURCE HAS INFORMED CONGENOFF THAT IN OCTOBER-NOVEMBER 1974 THE PRC REQUESTED HIS COMPANY TO ALTER THEIR PRESENT FREIGHT TARRIFF CONTRACT ARRANGEMENTS SO THAT SETTLEMENT COULD BE MADE THROUGH THE COMPANY'S HONG KONG BANK IN HONG KONG DOLLARS. FORMERLY, PAYMENT HAD BEEN MADE THROUGH A LONDON BANK IN POUNDS STERLING. THE NEW ARRANGEMENT WAS NEGOTIATED IN PEKING IN LATE NOVEMBER WITH THE CHINA NATIONAL CHARTERING CORPORATION.

2. THE NEW FREIGHT TARIFF WENT INTO EFFECT JANUARY 1. THE SHIPPING SOURCE SAID THAT HIS COMPANY WAS THE FIRST, BUT THOUGHT THAT SOME JAPANESE COMPANIES ALSO MAY HAVE SIGNED SUCH AGREEMENTS SINCE THEN. THE SOURCE HAD A
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COPY OF THE "OFFICIAL CHINA FREIGHT TARIFF" FOR 1975

WITH PROVISIONS FOR SETTLEMENT IN HONG KONG DOLLARS LISTED BESIDE EACH ENTRY. HE SAID THE PRC OBVIOUSLY INTENDS TO MAKE SETTLEMENT IN HONG KONG DOLLARS STANDARD IN ALL OF ITS SHIPPING CONTRACTS.

3. THE ADVANTAGE TO THE PRC WOULD BE IN THE GREATER STABILITY OF THE HK\$ OVER STERLING, ACCORDING TO THE SOURCE. IN ADDITION TO LESS FOREIGN EXCHANGE RISK, MOVEMENT FROM STERLING TO HK\$ ALLOWS GREATER USE OF THE PRC'S SUBSTANTIAL HK\$ RESOURCES AND ACCORDS WITH OTHER SIGNS OF PRC CONCERN OVER FOREIGN EXCHANGE SHORTAGES IN LATE 1974.

4. THE SOURCE SAID HIS OWN COMPANY HAD SOUGHT AND RECEIVED PRC AGREEMENT FOR AN INCREASE OF ABOUT 22 PERCENT IN ITS FREIGHT TARIFF FOR SHIPMENT TO AND FROM THE PRC. THIS WAS CONSISTENT WITH INCREASED FREIGHT CHARGES WORLDWIDE. HIS COMPANY HAD ALSO PROPOSED INCREASING COMMISSIONS IT PAYS TO THE PRC FROM TWO AND ONE-HALF TO FIVE PERCENT FOR EASTBOUND CARGOES FROM EUROPE. THE COMPANY HOPED, THEREBY, TO ENCOURAGE THE PRC TO ALLOCATE INCREASED TONNAGE TO ITS SHIPS. NO CHANGE WAS MADE IN THE WESTBOUND COMMISSION, WHICH ALREADY STOOD AT 5 PERCENT. CROSS

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